

OCT 9 1991

MONTANA STATE LIBRARY
1515 E. 6th AVE.
HELENA, MONTANA 59601

State of Montana
Office of the Legislative Auditor

REPORT TO THE LEGISLATURE

HELENA VOCATIONAL-TECHNICAL CENTER

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1987

PLEASE RETURN

This report contains eleven recommendations for improvement of the center's operations including recommendations relating to:

- Employee Contract Provisions
- Compliance with federal regulations relating to Student Financial Assistance Programs.



Direct comments/inquiries to:
Office of the Legislative Auditor
Room 135, State Capitol
Helena, Montana 59620



FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. The Office of the Legislative Auditor issues a biennial Single Audit Report for the state of Montana which fulfills those requirements on a statewide basis. The audit report presented here is therefore not intended to meet all reporting requirements of the Single Audit Act of 1984 and OMB Circular A-128.

MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE

Senator Judy Jacobson, Chairman	Representative John Cobb,
Senator Delwyn Gage	Vice Chairman
Senator Tom Keating	Representative Dorothy Bradley
Senator Ted Neuman	Representative Harry Fritz
	Representative Bruce Simon



STATE OF MONTANA
Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

May 1988

DEPUTY LEGISLATIVE AUDITORS:

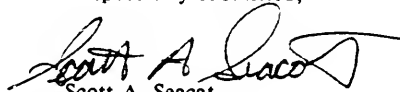
MARY BRYSON
Operations and EDP Audit
JAMES GILLET
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Helena Vocational-Technical Center for the two fiscal years 1985-1986 and 1986-87. Included in this report are recommendations concerning compliance with federal regulations relating to student financial assistance programs and employee contract provisions. The center's written response to audit recommendations is included at the end of the audit report.

We thank the director and his staff for their cooperation and assistance throughout the audit.

Respectfully submitted,


Scott A. Seacat
Legislative Auditor

OFFICE OF LEGISLATIVE AUDITOR
HELENA VOCATIONAL-TECHNICAL CENTER

Financial-Compliance Audit for the
Two Fiscal Years Ended June 30, 1987

Audit staff involved in the Helena Vocational-Technical Center audit included: Mary Bryson, Jim Manning, Bill O'Donnell, Paul Christofferson, Kathy Walsh, and Suzanne Wellcome.

TABLE OF CONTENTS

	<u>Page</u>
Appointed and Administrative Officials	iii
Elected and Administrative Officials	iv
Summary of Recommendations	v
Introduction	1
Background	1
Governance Change	2
Prior Audit Recommendations	2
Employee Contract Provisions	3
Student Financial Assistance	4
Satisfactory Progress	4
Improper Pell Grant Charge	5
Updating Financial Aid Awards	6
Financial Need Analysis	6
Guaranteed Student Loan Program	7
Maintenance Level of Effort	7
Pell Grant Disbursement System	8
Summary	9
Tuition Refund Policy	10
Payroll System	10
Property	11
Auditor's Opinion Letter and Center Financial Schedules	
Auditor's Opinion Letter	12
Schedule of Changes in Fund Balances for the Two Fiscal Years Ended June 30, 1987	13

TABLE OF CONTENTS

	<u>Page</u>
Schedule of Total Revenue and Transfers In for the Two Fiscal Year Ended June 30, 1987	14
Schedule of Budgeted Revenue and Transfers In Estimate and Actual, for the Two Fiscal Years Ended June 30, 1987	15
Schedule of Total Program Expenditures and Transfers Out by Object for Fiscal Year Ending June 30, 1987	16
Schedule of Total Program Expenditures and Transfers Out by Object for the Fiscal Year Ended June 30, 1986	17
Schedule of Budgeted Program Expenditures and Transfers Out by Object and Fund for the Fiscal Year Ended June 30, 1987	18
Schedule of Budgeted Program Expenditures and Transfers Out by Object and Fund for the Fiscal Year Ended June 30, 1986	19
Schedule of Additions and Deductions, Agency Fund Assets, for the Two Fiscal Years Ended June 30, 1987	20
Notes to the Financial Schedules	21
Center Response	24

HELENA VOCATIONAL-TECHNICAL CENTER
APPOINTED AND ADMINISTRATIVE OFFICIALS

BOARD OF REGENTS OF HIGHER EDUCATION

		<u>Term</u> <u>Expires</u>
Ted Schwinden, Governor*		1988
Ed Argenbright, Superintendent of Public Instruction*		1988
Dennis E. Lind, Chairman	Missoula	1989
Burt Hurwitz, Vice Chairman	White Sulphur Springs	1993
Beatrice McCarthy	Anaconda	1990
Elsie Redlin	Lambert	1991
Jim Kaze	Havre	1992
William L. Mathers	Miles City	1994
Leslie L. Kehoe, Student Representative	Bozeman	1988

*Ex officio member

ADMINISTRATIVE OFFICIALS

Carrol Krause	Commissioner of Higher Education
John H. Noble, Jr.	Deputy Commissioner for Management and Fiscal Affairs
Brady J. Vardemann	Deputy Commissioner for Vocational Technical Education

HELENA VOCATIONAL-TECHNICAL CENTER

Dr. Alex Capdeville	Director
Einar Brosten	Assistant Director
Charles W. Wetterling	Accountant

HELENA VOCATIONAL-TECHNICAL CENTER

ELECTED AND ADMINISTRATIVE OFFICIALS - Prior to July 1987*

OFFICE OF SUPERINTENDENT OF PUBLIC INSTRUCTION

Ed Argenbright	Superintendent of Public Instruction
Gene Christiaansen	Assistant Superintendent for Vocational Education Services
Rosellen Frisbee	Assistant Accounting Supervisor

HELENA SCHOOL DISTRICT #1

Board of Trustees

Phil Brooks, Chairman	1988
Paul Stahl, Vice Chairman	1990
Jeffrey Strickler, M.D.	1988
Judith Wright	1988
Jack Casey	1989
Barbara Givler	1989
Pamela Langley	1989
Debra Kehr	1989
Mignon Waterman	1990

Administrative Officials

Jack Copps	Superintendent
John Campbell	Business Manager

*Note: During the audit period, fiscal years 1985-86 and 1986-87, the center was under the governance of the Office of Public Instruction. As of July 1, 1987, the governance changed to the Board of Regents of Higher Education.

SUMMARY OF AUDIT RECOMMENDATIONS

This listing serves as a means of summarizing the recommendations contained in the audit report and the center's reply.

Page

Recommendation #1

The center consult with its governing organization to ensure that negotiated agreements with employees comply with state law.

4

Center Reply: Concur. See page 25.

Recommendation #2

The center disburse Pell Grant funds only to students maintaining satisfactory progress.

5

Center Reply: Concur. See page 25.

Recommendation #3

The center refund to the Pell Grant account tuition and fees paid for students who withdraw prior to attending class.

6

Center Reply: Concur. See page 25.

Recommendation #4

The center establish procedures to ensure that financial aid award amounts are properly updated.

6

Center Reply: Concur. See page 26.

Recommendation #5

The center calculate students' financial need in accordance with federal regulations.

7

Center Reply: Concur. See page 26.

Recommendation #6

The center establish a system to notify lenders of enrollment status changes in accordance with federal regulations.

7

Center Reply: Concur. See page 26.

Recommendation #7

The center contact the Department of Education regarding maintenance level of effort.

8

Center Reply: Concur. See page 26.

SUMMARY OF RECOMMENDATIONS (continued)

	<u>Page</u>
<u>Recommendation #8</u> The center modify and improve its Pell Grant disbursement system.	9
Center Reply: Concur. See page 27.	
<u>Recommendation #9</u> The center provide personnel additional training concerning student financial assistance programs.	9
Center Reply: Concur. See page 27.	
<u>Recommendation #10</u> The center seek guidance from the Commissioner of Higher Education on the matter of tuition refunds.	10
Center Reply: Concur. See page 27.	
<u>Recommendation #11</u> The center:	
A. Reconcile payroll expenditures reported in the accounting records with the payroll records.	11
Center Reply: Concur. See page 28.	
B. Segregate the functions of authorizing warrants and picking up warrants.	11
Center Reply: Concur. See page 28.	

INTRODUCTION

We performed a financial-compliance audit of the Helena Vocational-Technical Center for the two fiscal years ended June 30, 1986 and 1987. The objectives of the audit were to:

- 1) Determine if the center's financial schedules present fairly the results of its operations for the two fiscal years ended June 30, 1986 and 1987;
- 2) Determine if the center complied with applicable laws and regulations;
- 3) Review the adequacy of the management information systems and make recommendations for improvement in the center's administrative and accounting controls; and,
- 4) Determine the implementation status of prior audit recommendations.

This report contains eleven recommendations. These recommendations address areas where the center can improve control and management information systems, financial reporting, and compliance with laws and regulations. Other areas of concern deemed not to have a significant effect on the successful operations of the center are not included in this report but have been discussed with management.

In accordance with section 5-13-307, MCA, we analyzed and disclosed the costs, if significant, of implementing recommendations.

BACKGROUND

In 1969, the Legislature established five postsecondary vocational-technical centers. The Helena center existed independently prior to that time. The Helena Vocational-Technical Center currently has approximately 113,000 square feet of classroom, shop, and other instructional-related space.

During fiscal year 1986-87, the center was authorized 56 full-time equivalent (FTE) employees consisting of 39 instructional, 13 support and 4 maintenance FTE. During the audit period, quarterly student FTE ranged from 490 to 675 (excluding summer quarters). A schedule of student FTEs appears in footnote 6, page 23.

The center is accredited by the Northwest Association of Schools and Colleges and offers instruction in thirteen major programs as follows:

- | | |
|--|---------------------------------|
| 1. Accounting/Bookkeeping | 7. Combination Welding |
| 2. Agri-Diesel Mechanics
Technology | 8. Electrical Product Servicing |
| 3. Automobile Mechanics | 9. Industrial Electronics |
| 4. Aviation Maintenance
Technician | 10. Machine Shop |
| 5. Building Trades | 11. Practical Nursing |
| 6. Business Data Processing | 12. Secretarial |
| | 13. Truck - Diesel Mechanics |

GOVERNANCE CHANGE

Chapter 658, Laws of 1987, transferred the governance of the post-secondary vocational-technical centers to the Board of Regents of Higher Education from the Superintendent of Public Instruction effective July 1, 1987. There is a two year transition period from July 1, 1987 to June 30, 1989. As of July 1, 1987 all vocational-technical center directors became state employees. All other vocational-technical center employees will remain local school district employees until June 30, 1989. The Board of Regents must report to the 51st Legislature in January 1989 on the following (6) items:

- (1) A plan for reorganization of the delivery system for all post-secondary vocational-technical education in Montana;
- (2) A long term plan for achieving high quality vocational-technical centers through the possibility of program specialization at each center;
- (3) The feasibility and appropriateness of closure of one or more of the vocational-technical facilities;
- (4) A plan for elimination of programs that serve few students;
- (5) A plan for consolidation of administrative functions of the individual centers which could result in cost savings and more efficient operations; and,
- (6) The feasibility of consolidating post-secondary vocational-technical facilities and staff with nearby units of the university system.

PRIOR AUDIT RECOMMENDATIONS

The financial-compliance audit report of the Helena Vocational-Technical Center for the two fiscal years ended June 30, 1985 contained ten recommendations. We determined the status of these recommendations with the following results:

<u>Implemented</u>	<u>Partially Implemented</u>	<u>Not Implemented</u>	<u>Total</u>
7	1	2	10

The recommendations which have not been implemented relate to employee contract provisions and maintenance of effort as discussed on pages 3 and 7, respectively. The recommendation partially implemented concerns segregation of payroll functions and is discussed on page 10.

EMPLOYEE CONTRACT PROVISIONS

During our review of negotiated union contracts for center employees, we noted two contract provisions that conflict with state law. The first contract provision allows custodians up to ten days of "bereavement leave" in addition to the regular vacation and sick leave benefits provided by state law. Thirty-eight Opinions of the Attorney General, Number 20, held that state law "establishes maximum and minimum benefits which may not be varied through collective bargaining or other negotiation." A school district official contends that bereavement leave is legally appropriate since the absence is for death in the employee's immediate family rather than for family illness. However, the Administrative Rules of Montana [Section 2-21-132(h)] specify that sick leave may be used for "death or funeral attendance for an immediate family member, or at the agency's discretion, for another person." Bereavement leave is therefore included in the permissible uses of sick leave and any such leave taken should be deducted from the employee's sick leave balance.

The second contract issue conflicting with state law is the provision allowing secretarial staff three days of personal leave in addition to their vacation and sick leave. Section 2-18-601(8), MCA, specifically defines vacation leave as: ". . . a leave of absence with pay for the purpose of rest, relaxation or personal business" Therefore, the three personal leave days provided to secretarial staff do not comply with the maximum benefits allowed by state law.

The two contract provisions discussed in this section are part of negotiated agreements between local unions and Helena School District #1 Board of Trustees and have been addressed in two previous audit reports. Chapter 658,

Laws of 1987, effective July 1, 1987, transferred governance of the center from the Office of Public Instruction to the Board of Regents and center personnel become state employees effective July 1, 1989. The Commissioner of Higher Education and Helena School District #1, as appropriate, should ensure that negotiated agreements with center employees comply with state law.

RECOMMENDATION #1

WE RECOMMEND THE CENTER CONSULT WITH ITS GOVERNING ORGANIZATION TO ENSURE THAT NEGOTIATED AGREEMENTS WITH EMPLOYEES COMPLY WITH STATE LAW.

STUDENT FINANCIAL ASSISTANCE

The Helena center participates in the following federal student financial aid programs: Pell Grants (CFDA #84.063); Guaranteed Student Loans (CFDA #84.032); College Work Study (CFDA #84.033); Supplemental Educational Opportunity Grants (CFDA #84.007); and State Student Incentive Grants (CFDA #84.069). In addition to the student aid programs, the center also received subgrants for the following federal programs: Job Training Partnership Act (CFDA #17.250), Adult Basic Education (CFDA #84.002); and Carl Perkins (CFDA #84.048).

The following sections discuss instances in which the center is not complying with federal regulations. These instances involve financial aid overpayments, understatement of a student's financial need and the institution's maintenance of effort. Noncompliance with federal regulations could cause the center to lose federal funds.

Satisfactory Progress

The center improperly awarded Pell Grants (CFDA #84.063) to an ineligible student during winter and spring quarters of 1987. Federal regulations (34 CFR 690.75) allow an institution to pay a Pell Grant to a student only after it determines that the student is meeting eligibility requirements and maintaining satisfactory progress. To maintain satisfactory progress under the center's policies, a student must achieve a 2.0 grade point average.

The exception noted in our testing involved a student receiving financial aid, who earned a 1.80 grade point average for spring quarter of 1986. The student did not maintain satisfactory progress, but could still be awarded a Pell Grant for one additional, probationary quarter (fall quarter of 1986) in order to reestablish satisfactory progress. For fall quarter 1986, the student received a 1.78 grade point average and, thus, became ineligible for another Pell Grant. However, the center awarded the student two additional Pell Grants of \$530 each for winter and spring quarter of 1987. Center personnel stated that the winter quarter award was made based upon preliminary reports from the student's teachers which indicated the student would earn the minimum grade point average. The spring quarter award was considered by center personnel to be an oversight. Accordingly, we question the allowability of \$1,060 of Pell Grant disbursements for fiscal year 1986-87.

RECOMMENDATION #2

WE RECOMMEND THE CENTER DISBURSE PELL GRANT FUNDS ONLY TO STUDENTS MAINTAINING SATISFACTORY PROGRESS.

Improper Pell Grant Charge

During our audit, we noted an instance in which a student registered for classes, charged his tuition and fees to his Pell Grant (CFDA #84.063) award, and withdrew from school before the first day of classes. The center did not refund to the Pell Grant account the amount of the student's tuition and fees paid by the Pell Grant. Federal regulations (34 CFR 690.78) require an institution to return to the Pell Grant account any funds paid to a student or credited to the account of a student who withdraws before the first day of classes. The amount of the Pell Grant charged to the student's account was \$377 and represents a questioned cost of the fiscal year 1986-87 Pell Grant award.

RECOMMENDATION #3

WE RECOMMEND THE CENTER REFUND TO THE PELL GRANT ACCOUNT TUITION AND FEES PAID FOR STUDENTS WHO WITHDRAW PRIOR TO ATTENDING CLASS.

Updating Financial Aid Awards

Federal regulations (34 CFR 675.14) prohibit an institution from awarding financial aid to a student in excess of the student's financial need. During our audit, we noted an instance in which a student was awarded a Pell Grant (CFDA #84.063), College Work Study (CFDA #84.033) and a Guaranteed Student Loan (CFDA #84.032) to meet his financial need. Before any funds were disbursed, the center adjusted the student's financial aid awards to reflect an increase in the Pell Grant award amount and a corresponding decrease in the College Work Study (CWS) amount. The adjusted award amounts were proper, however, the center did not update its computer file for the decreased CWS award amount. The center uses the computer file to monitor CWS payroll earnings. Since the computer file contained the higher, original CWS award amount, the student was allowed to earn a CWS salary in excess of his award amount. As a result of the error, the student was paid \$272 in excess of his financial need.

RECOMMENDATION #4

WE RECOMMEND THE CENTER ESTABLISH PROCEDURES TO ENSURE THAT FINANCIAL AID AWARD AMOUNTS ARE PROPERLY UPDATED.

Financial Need Analysis

Financial aid awards are predominantly based upon a student's financial need. Federal regulations (34 CFR 676.11 and 676.13) require educational institutions to use an approved need analysis system based upon a student's cost of attendance. For one of the financial aid awards we tested, the center used the wrong student budget amount in calculating the student's financial need. The student was unmarried with two dependents representing a student

budget amount of \$10,383 and a resulting financial need of \$9,183 after deducting the student's financial resources. The center improperly used a student budget amount for a single head of household of \$6,328. After deducting the student's financial resources, the student's resulting financial need was \$5,128. The center's use of an improper student budget amount caused the student's financial need to be understated by \$4,055.

RECOMMENDATION #5

WE RECOMMEND THE CENTER CALCULATE STUDENTS' FINANCIAL NEED IN ACCORDANCE WITH FEDERAL REGULATIONS.

Guaranteed Student Loan Program

Federal regulations (34 CFR 682.612) require the center to report changes in enrollment status to lending institutions for students who receive a Guaranteed Student Loan (GSL) (CFDA #84.032). During our audit, we noted that in five out of thirteen instances tested, the center did not notify lenders when GSL recipients withdrew, graduated, or ceased to be enrolled at least half-time. Center personnel indicated that the five exceptions were due to oversight. An adequate system of administrative control would ensure that lenders are notified of enrollment status changes in accordance with federal regulations.

RECOMMENDATION #6

WE RECOMMEND THE CENTER ESTABLISH A SYSTEM TO NOTIFY LENDERS OF ENROLLMENT STATUS CHANGES IN ACCORDANCE WITH FEDERAL REGULATIONS.

Maintenance Level of Effort

Federal regulations (34 CFR 675.20 and 676.20) require an institution that participates in the College Work Study Program (CFDA #84.033) and/or the Supplemental Educational Opportunity Grant Program (CFDA #84.007) to spend from its own scholarship and student financial aid program an amount at least equal to its established maintenance level of effort. The purpose of the

federal regulation is to ensure that federal student financial assistance programs supplement, not supplant an educational institution's scholarship and student financial aid program. The center's established level of effort is \$13,055 and represents the amount of state financial aid funds that the center must spend in a fiscal year. In fiscal year 1985-86, the center spent \$10,773 of state financial aid funds which is \$2,282 less than the required level of effort. The center also did not meet its required maintenance of effort level in fiscal years 1981-82, 1982-83, 1983-84, and 1984-85 as noted in our two previous audit reports. Center personnel indicated that the center does not have adequate nonfederal financial aid funds to meet its level of effort requirements.

In our testing of the fiscal 1986-87 maintenance of effort, we determined that the U.S. Department of Education no longer requires educational institutions to comply with or report a maintenance of effort beginning with fiscal year 1986-87. Since the maintenance of effort requirement will not be applicable in the future, no recommendation for future corrective action is necessary. However, because the center did not meet the required maintenance level of effort from fiscal year 1981-82 through 1985-86, the possibility of federal sanctions exists. The center should contact the U.S. Department of Education to resolve the maintenance level of effort issue.

RECOMMENDATION #7

WE RECOMMEND THE CENTER CONTACT THE DEPARTMENT OF EDUCATION REGARDING MAINTENANCE LEVEL OF EFFORT.

Pell Grant Disbursement System

Federal regulations (34 CFR 690.78) allow an institution to pay a Pell Grant to a student either directly by check or by crediting the student's account with the institution. The center currently begins class registration with state warrants already prepared for issuance to recipient students in the amount of the student's Pell Grant award. Students have the choice of either paying their tuition and fees with their own funds at that time and accepting the state warrant for the amount of their total Pell Grant award, or deducting their tuition and fees from their Pell Grant. When students choose to have

their tuition and fees deducted from their Pell Grant, the center cannot issue the state warrants to the students since the amounts are for the total Pell Grant award. As a result, the center must cancel these warrants and request new state warrants for the difference between the students' Pell Grant award amounts and their tuition and fees. In fiscal year 1986-87, 158 Pell Grant warrants totalling \$75,004 were cancelled by the center. The current procedure is cumbersome and creates a risk that a state warrant will accidentally be issued when it should be cancelled. Cancelling and reissuing warrants increases processing time and costs.

The center should consult with the university units and the other four vocational-technical centers to identify alternatives for modifying its Pell Grant disbursement system.

RECOMMENDATION #8

WE RECOMMEND THE CENTER MODIFY AND IMPROVE ITS PELL GRANT DISBURSEMENT SYSTEM.

Summary

As discussed in the previous seven report sections, our audit disclosed several instances of errors and/or overpayments in the financial aid programs and noncompliance with federal regulations. According to center personnel, many of the financial aid errors can be attributed to the absence of the financial aid officer during one fiscal year of the audit period. The financial aid officer's duties were performed by other center personnel who did not possess the experience or receive the training necessary to properly conduct the financial aid programs. Additional training of financial aid personnel may be necessary to help eliminate similar errors in the future.

RECOMMENDATION #9

WE RECOMMEND THE CENTER PROVIDE PERSONNEL ADDITIONAL TRAINING CONCERNING STUDENT FINANCIAL ASSISTANCE PROGRAMS.

TUITION REFUND POLICY

The Office of Public Instruction (OPI) established a refund policy for the five vocational-technical centers with an effective date of December 1986. The Helena center's tuition refund policy was not in accordance with the policy established by the Office of Public Instruction. The center's policy differs from the prescribed policy as follows:

<u>Time Allotment</u>	<u>Refund Percentage OPI's Policy</u>	<u>Refund Percentage HVTC's Policy</u>
Before classes begin	100%	100%
1st week	75%	50%
2nd week	50%	25%
3rd week	25%	0%
After 3rd week	0%	0%

The center's policy resulted in reduced refund amounts to students who withdrew the first, second or third week of classes in a quarter. Since governance of the center changed as of July 1, 1987, the center should seek guidance from the Commissioner of Higher Education on the matter of tuition refunds.

RECOMMENDATION #10

WE RECOMMEND THE CENTER SEEK GUIDANCE FROM THE COMMISSIONER OF HIGHER EDUCATION ON THE MATTER OF TUITION REFUNDS.

PAYROLL SYSTEM

During our testing of the center's payroll system, we noted two internal control weaknesses. The first weakness relates to the center's support for payroll expenditures recorded in the accounting records. Except for College Work Study, Helena School District #1 processes the center's payroll records and checks. We noted that the payroll records provided by the school district did not agree to the payroll expenditures recorded in the accounting records. The center does not properly reconcile its payroll records with its accounting records. A complete reconciliation of payroll records with accounting records

is a necessary internal control procedure to ensure that significant errors are detected and that payroll expenditures are properly supported.

The second payroll system weakness relates to the assignment of payroll duties. One center employee is responsible for the preparation of the payroll authorization records submitted to the school district and the pick-up and distribution of monthly payroll checks. By combining these duties with one individual, the center increases the risk that errors or omissions will occur without detection. A similar problem was discussed in our prior audit report. The center can reduce this risk by separating the payroll warrant pick-up and distribution function from the authorizing function.

RECOMMENDATION #11

WE RECOMMEND THAT THE CENTER:

- A. RECONCILE PAYROLL EXPENDITURES REPORTED IN THE ACCOUNTING RECORDS WITH THE PAYROLL RECORDS.
- B. SEGREGATE THE FUNCTIONS OF AUTHORIZING WARRANTS AND PICKING UP WARRANTS.

PROPERTY

The center has recorded equipment in the amount of \$1,076,163 as of June 30, 1987. Land in the amount of \$111,803, and buildings in the amount of \$2,242,433 are recorded on the school district's books and are not recorded at the center.

With the change in governance, ownership interest in the land and buildings needs to be resolved, and when resolved, all property and equipment the center is responsible for should be recorded on the center's books. The Commissioner of Higher Education is currently negotiating with school district officials to resolve issues concerning ownership of assets. We present this information for disclosure purposes only and make no recommendations at this time pending resolution of the negotiations. We will review this issue in our next audit of the center.

AUDITOR'S OPINION LETTER
AND CENTER FINANCIAL SCHEDULES

SUMMARY OF AUDIT OPINION

The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustments for errors noted during the audit. The auditor's opinion issued in this report is intended to convey to the reader of the financial schedules the degree of reliance that can be placed on the amounts presented.

We issued an unqualified opinion on the Helena Vocational-Technical Center's Financial Schedules. This means the user may place reliance on the information from the schedules and supporting data from the Statewide Budgeting and Accounting System (SBAS).



STATE OF MONTANA
Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

DEPUTY LEGISLATIVE AUDITORS:

MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT
LEGAL COUNSEL:
JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the financial schedules of the Helena Vocational-Technical Center for each of the two fiscal years ended June 30, 1986 and 1987 as shown on pages 13 through 23. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 1 to the financial schedules, the center's financial schedules are prepared in accordance with state accounting policy. Accordingly, the accompanying financial schedules are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial schedules referred to above present fairly the results of operations of the Helena Vocational-Technical Center for the fiscal years ended June 30, 1986 and 1987 in conformity with the basis of accounting described in Note 1, applied on a consistent basis.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Gillett".

James Gillett, CPA
Deputy Legislative Auditor

January 8, 1988

HELENA VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1987

	CURRENT FUNDS					
	Unrestricted Subfund	Restricted Subfund	Designated Subfund	Auxiliary Subfund	Loan Fund	Endowment Fund
FUND BALANCE: July 1, 1985	\$ <u>3,815</u>	\$ <u>23,879</u>	\$ <u>118,200</u>	\$ <u>62,740</u>	\$ <u>6,275</u>	\$ <u>16,884</u>
ADDITIONS						
<u>Fiscal Year 1985-86</u>						
Budgeted Revenue & Transfers In	2,372,273	247,472				
Nonbudgeted Revenue & Transfers In	<u>5,033</u>	<u>463,183</u>	<u>200,335</u>	<u>172,465</u>	<u>117</u>	
Total Revenue & Transfers In	2,377,306	710,655	200,335	172,465	117	
Prior Year Revenue - Additions/Adjustments	190	(1,183)	(350)	428		
<u>Fiscal Year 1986-87</u>						
Budgeted Revenue & Transfers In	2,421,938	255,012				
Nonbudgeted Revenue & Transfers In	<u>2,612</u>	<u>458,642</u>	<u>204,183</u>	<u>162,115</u>	<u>111</u>	
Total Revenue & Transfers In	2,424,550	713,654	204,183	162,115	111	
Prior Year Revenue - Additions/Adjustments	272	(1,030)	(1,397)	37		
Prior Year Transfer In Adjustments	<u>(658)</u>					
Total Additions	<u>4,801,660</u>	<u>1,422,096</u>	<u>402,771</u>	<u>335,045</u>	<u>228</u>	
REDUCTIONS						
<u>Fiscal Year 1985-86</u>						
Budgeted Expenditures & Transfers Out	2,372,930	247,234				
Nonbudgeted Expenditures & Transfers Out	<u>1,462</u>	<u>469,108</u>	<u>202,565</u>	<u>132,982</u>	<u>10</u>	
Total Expenditures	2,374,392	716,342	202,565	132,982	10	
Prior Year Expenditure Adjustments	40					
Nonbudgeted Prior Year Expenditure Adjustments	184,833	(707)	19,337	17,575	(87)	
Direct Entries To Fund Balance		6,132	(6,132)			(2,370)
Current Year Increase In Compensated Absences	15,490					
<u>Fiscal Year 1986-87</u>						
Budgeted Expenditures & Transfers Out	2,403,806	255,981				
Nonbudgeted Expenditures & Transfers Out	<u>1,084</u>	<u>452,774</u>	<u>162,323</u>	<u>147,243</u>		
Total Expenditures	2,404,890	708,755	162,323	147,243		
Prior Year Expenditure Adjustments	155	(791)				
Nonbudgeted Prior Year Expenditure Adjustments	(420)	(307)	20,211	(134)	(11)	
Direct Entries To Fund Balance						195
Current Year Increase In Compensated Absences	<u>3,105</u>					
Total Reductions	<u>4,982,485</u>	<u>1,429,424</u>	<u>398,304</u>	<u>297,666</u>	<u>(88)</u>	<u>(2,175)</u>
FUND BALANCE: June 30, 1987	\$ <u>(177,010)</u>	\$ <u>16,551</u>	\$ <u>122,667</u>	\$ <u>100,119</u>	\$ <u>6,591</u>	\$ <u>19,059</u>

¹ This represents the cumulative balance of the compensated absences liability as of June 30, 1985 and caused the negative fund balance.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 21 through 23.

HELENA VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF TOTAL REVENUE AND TRANSFERS IN
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1987

	<u>Taxes</u>	<u>Service Fees</u>	<u>Fines</u>	<u>Reimbursements</u>	<u>Investment Earnings</u>	<u>Rentals, Leases, & Royalties</u>	<u>Grants, Gifts, & Donations</u>	<u>Sale of Merchandise</u>	<u>Federal Assistance</u>	<u>Income Collections & Transfers</u>	<u>Miscellaneous</u>	<u>Total</u>
<u>1986-87</u>												
DS												
ed Subfund	\$433,957	\$354,578		\$1,311		\$1,301				\$1,633,403		\$2,424,550
s Subfund		2,407			\$605		\$74,307		\$636,335			713,654
d Subfund		17,214						\$186,969				204,183
Subfund		10,111	\$156					151,848				162,115
Subfund					111							111
	<u>\$433,957</u>	<u>\$384,310</u>	<u>\$156</u>	<u>\$1,311</u>	<u>\$716</u>	<u>\$1,301</u>	<u>\$74,307</u>	<u>\$338,817</u>	<u>\$636,335</u>	<u>\$1,633,403</u>		<u>\$3,504,613</u>
<u>1985-86</u>												
DS												
ed Subfund	\$291,854	\$379,997		\$3,972		\$1,061				\$1,700,422		\$2,377,306
s Subfund		4,808			\$658		\$72,524		\$632,615		\$50	710,655
d Subfund		18,214						\$182,121				200,335
Subfund		9,450	\$135					162,880				172,465
Subfund					117							117
	<u>\$291,854</u>	<u>\$412,469</u>	<u>\$135</u>	<u>\$3,972</u>	<u>\$775</u>	<u>\$1,061</u>	<u>\$72,524</u>	<u>\$345,001</u>	<u>\$632,615</u>	<u>\$1,700,422</u>	<u>\$50</u>	<u>\$3,460,878</u>

Guide is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules. 1 through 23.

HELENA VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF TOTAL PROGRAM EXPENDITURES AND TRANSFERS OUT BY OBJECT
FOR FISCAL YEAR ENDING JUNE 30, 1987

	<u>Instruction</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Plant Operation & Maintenance</u>	<u>Scholarships and Fellowships</u>	<u>Auxiliary Enterprise</u>	<u>Student Loans</u>	<u>Support</u>	<u>Total</u>
SERVICES									
Salaries	\$1,250,619	\$ 7,704		\$ 61,142				\$432,990	\$1,761,455
Wages	138	0		537				2,149	2,824
Employee Benefits	261,112	1,669		15,406				109,180	387,367
	<u>1,520,869</u>	<u>9,373</u>		<u>77,085</u>				<u>544,319</u>	<u>2,151,646</u>
OTHER EXPENSES									
Contracted Services	12,455	15,105	\$ (32)	49,478	\$ 26,437	\$ 8,557		45,876	157,876
Supplies & Materials	107,293	413	653	15,453		5,477		7,367	136,656
Communications	3,122	0	86	38,209		104		10,173	51,694
Travel	7,314	0	0	0		0		2,921	10,235
Utilities	23,546	0	0	5,606		0		0	29,152
Repairs	680	0	0	77,104		135		0	77,919
Insurance & Maintenance	24,493	0	0	26,751		3,165		946	55,355
Other Expenses	(22,919)	26	1,586	971		(13,625)		7,258	(26,703)
Purchased For Resale	<u>137,555</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>136,531</u>	<u>0</u>	<u>0</u>	<u>272,086</u>
	<u>293,539</u>	<u>15,544</u>	<u>2,721</u>	<u>213,572</u>	<u>26,437</u>	<u>138,364</u>	<u>0</u>	<u>76,561</u>	<u>766,270</u>
INTANGIBLE ASSETS									
Plant and Equipment	94,021	750	906	420		8,900			104,997
Other Intangible Assets	<u>2,339</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,339</u>
	<u>96,360</u>	<u>750</u>	<u>906</u>	<u>420</u>	<u>0</u>	<u>8,900</u>	<u>0</u>	<u>0</u>	<u>107,336</u>
DEPRECIATION									
	<u>11,844</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,844</u>
	<u>11,844</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,844</u>
Other Sources					8,420				8,420
Federal Sources					379,092				379,092
Other Sources					<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
					<u>387,512</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>387,512</u>
PROGRAM EXPENDITURES	<u>\$1,922,612</u>	<u>\$25,667</u>	<u>\$3,100</u>	<u>\$291,077</u>	<u>\$13,360</u>	<u>\$147,254</u>	<u>\$600</u>	<u>\$618,860</u>	<u>\$3,423,208</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial statements on pages 21 through 23.

HELENA VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF TOTAL PROGRAM EXPENDITURES AND TRANSFERS OUT BY OBJECT
FOR THE FISCAL YEAR ENDED JUNE 30, 1986

	<u>Instruction</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Institutional Support</u>	<u>Plant Operation & Maintenance</u>	<u>Scholarships and Fellowships</u>	<u>Auxiliary Enterprise</u>	<u>Student Loans</u>	<u>Support</u>	<u>Total</u>
VICES	\$1,221,535				\$ 66,125			\$406,789	\$1,604,449	
ges					546			3,343	3,889	
Benefits	<u>241,059</u>				<u>16,073</u>			<u>85,538</u>	<u>342,670</u>	
	<u>1,462,594</u>				<u>82,744</u>			<u>495,670</u>	<u>2,041,008</u>	
APRISSES										
S Services	15,084	\$22,827	\$3,633		59,784	\$ 21,189	\$ 9,126		67,181	198,824
& Materials	117,490	360	1,824		23,273		2,331	\$ 75	3,648	149,001
ctions	1,952		588		36,932		95	612	11,400	51,579
	2,836	434	883		65				6,651	10,869
	20,151				6,217				13	26,381
	759				87,057		153			87,969
Maintenance	40,592				22,973		2,785		259	66,609
ences	(16,738)		2,982		797		20		7,608	(5,331)
chased For Resale	<u>152,430</u>						<u>117,678</u>			<u>270,108</u>
	<u>334,556</u>	<u>23,621</u>	<u>9,910</u>		<u>237,098</u>	<u>21,189</u>	<u>133,188</u>	<u>687</u>	<u>96,760</u>	<u>856,009</u>
ND INTANGIBLE ASSETS										
	101,952		6,714	\$650	435		794			110,545
	<u>1,022</u>		<u>638</u>							<u>1,660</u>
Assets	<u>102,974</u>		<u>7,352</u>	<u>650</u>	<u>435</u>		<u>794</u>			<u>112,205</u>
					<u>3,053</u>					<u>3,053</u>
					<u>3,053</u>					<u>3,053</u>
						7,692				7,692
te Sources					404,124					404,124
eral Sources								1,500		1,500
er Sources								1,500		1,500
						<u>611,816</u>		<u>1,500</u>		<u>613,316</u>
PAN EXPENDITURES	<u>\$1,900,124</u>	<u>\$23,621</u>	<u>\$17,062</u>	<u>\$650</u>	<u>\$324,230</u>	<u>\$-23,001</u>	<u>\$132,682</u>	<u>\$2,187</u>	<u>\$592,430</u>	<u>\$3,426,291</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules 21 through 23.

HELENA VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES AND TRANSFERS OUT
BY OBJECT AND FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1987

	<u>Instruction</u>	<u>Plant Operation & Maintenance</u>	<u>Support</u>	<u>Total</u>
PERSONAL SERVICES				
Salaries	\$1,251,964	\$ 61,142	\$432,990	\$1,746,096
Hourly Wages	138	537	2,149	2,824
Employee Benefits	<u>260,868</u>	<u>15,406</u>	<u>109,180</u>	<u>385,454</u>
Total	<u>1,512,970</u>	<u>77,085</u>	<u>544,319</u>	<u>2,134,374</u>
OPERATING EXPENSES				
Contracted Services	2,019	46,449	45,876	94,344
Supplies & Materials	75,809	15,178	7,367	98,354
Communications	1,444	38,209	10,173	49,826
Travel	7,296		2,922	10,218
Rent	20,337	5,606		25,943
Utilities		77,104		77,104
Repair & Maintenance	19,329	26,750	946	47,025
Other Expenses	8,959	912	7,258	17,129
Goods Purchased For Resale	<u>44</u>			<u>44</u>
Total	<u>135,237</u>	<u>210,208</u>	<u>74,542</u>	<u>419,987</u>
EQUIPMENT AND INTANGIBLE ASSETS				
Equipment	91,243			91,243
Intangible Assets	<u>2,339</u>			<u>2,339</u>
Total	<u>93,582</u>			<u>93,582</u>
DEBT SERVICE				
Leases	<u>11,844</u>			<u>11,844</u>
Total	<u>11,844</u>			<u>11,844</u>
TOTAL PROGRAM EXPENDITURES	<u>\$1,753,633</u>	<u>\$ 287,293</u>	<u>\$618,861</u>	<u>\$2,659,787</u>
CURRENT FUNDS:				
Unrestricted Subfund				
Budgeted	\$1,558,572	\$ 55,760	\$644,511	\$2,258,843
Actual	<u>1,497,652</u>	<u>287,293</u>	<u>618,861</u>	<u>2,403,806</u>
Unspent Budget Authority	<u>\$ 60,920</u>	<u>\$(231,533)</u>	<u>\$ 25,650</u>	<u>\$(144,963)</u>
Restricted Subfund				
Budgeted	\$ 260,201			\$ 260,201
Actual	<u>255,981</u>			<u>255,981</u>
Unspent Budget Authority	<u>\$ 4,220</u>			<u>\$ 4,220</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 21 through 23.

HELENA VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES AND TRANSFERS OUT
BY OBJECT AND FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1986

	<u>Instruction</u>	<u>Plant Operation & Maintenance</u>	<u>Support</u>	<u>Total</u>
PERSONAL SERVICES				
Salaries	\$1,221,535	\$ 66,125	\$406,789	\$1,694,449
Hourly Wages		546	3,343	3,889
Employee Benefits	<u>241,059</u>	<u>16,073</u>	<u>85,538</u>	<u>342,670</u>
Total	<u>1,462,594</u>	<u>82,744</u>	<u>495,670</u>	<u>2,041,008</u>
OPERATING EXPENSES				
Contracted Services	2,350	57,230	67,181	126,761
Supplies & Materials	92,993	23,273	3,648	119,914
Communications	1,339	36,932	11,400	49,671
Travel	2,804	65	6,651	9,520
Rent	19,588	6,217	13	25,818
Utilities		87,057		87,057
Repair & Maintenance	25,194	22,973	259	48,426
Other Expenses	5,867	793	7,608	14,268
Goods Purchased For Resale	<u>402</u>			<u>402</u>
Total	<u>150,537</u>	<u>234,540</u>	<u>96,760</u>	<u>481,837</u>
EQUIPMENT AND INTANGIBLE ASSETS				
Equipment	92,344			92,344
Intangible Assets	<u>1,022</u>			<u>1,022</u>
Total	<u>93,366</u>			<u>93,366</u>
DEBT SERVICE				
Leases		<u>3,953</u>		<u>3,953</u>
Total		<u>3,953</u>		<u>3,953</u>
TOTAL PROGRAM EXPENDITURES	<u>\$1,706,497</u>	<u>\$321,237</u>	<u>\$592,430</u>	<u>\$2,620,164</u>
CURRENT FUNDS:				
Unrestricted Subfund				
Budgeted	\$1,522,016	\$337,038	\$593,937	\$2,452,991
Actual	<u>1,459,263</u>	<u>321,237</u>	<u>592,430</u>	<u>2,372,930</u>
Unspent Budget Authority	<u>\$ 62,753</u>	<u>\$ 15,801</u>	<u>\$ 1,507</u>	<u>\$ 80,061</u>
Restricted Subfund				
Budgeted	\$ 271,000			\$ 271,000
Actual	<u>247,234</u>			<u>247,234</u>
Unspent Budget Authority	<u>\$ 23,766</u>			<u>\$ 23,766</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 21 through 23.

HELENA VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF ADDITIONS AND DEDUCTIONS
AGENCY FUND ASSETS
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1987

	<u>Additional Voted Millage</u>	<u>All Other</u> ¹
Asset Balance, July 1, 1985	\$ <u>6,402</u>	\$ <u>11,400</u>
Additions:		
Fiscal Year 1985-86	164,339	18,196
Fiscal Year 1986-87	<u>405,333</u>	<u>34,493</u>
Total Additions	<u>569,672</u>	<u>52,689</u>
Deductions:		
Fiscal Year 1985-86	125,203	16,549
Fiscal Year 1986-87	<u>252,724</u>	<u>31,475</u>
Total Deductions	<u>377,927</u>	<u>48,024</u>
Asset Balance, June 30, 1987	\$ <u>198,147</u>	\$ <u>16,065</u>

¹ This includes Student Senate, Student Union Building, Agency Scholarships and Rural Electric Cooperative.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 21 through 23.

HELENA VOCATIONAL-TECHNICAL CENTER

NOTES TO THE FINANCIAL SCHEDULES

FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1987

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The state of Montana accrual basis of accounting for the funds of higher education units. Under the accrual basis of accounting, a valid obligation exists when the related liability is incurred except for the following items which are also considered valid obligations under state accounting policy.

- If the appropriation provided funds to complete a given project, the entire amount of a contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is to be accrued.
- The anticipated cost of equipment is expensed in the fiscal year in which budgeted.
- Goods ordered, but not received as of the fiscal year-end, may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued.

B. Basis of Presentation

The financial schedules were prepared from the Statewide Budgeting and Accounting System (SBAS) without adjustments. Accounts are organized on the basis of funds according to state law. The following funds are used by the center.

CURRENT FUNDS - Include economic resources expendable for instruction, research, public service, and the allied support programs. Subgroups of the current funds group are as follows:

Unrestricted Subfund - are funds received for which no stipulation was made by the donor or other external agency as to the purpose for which they should be expended.

Restricted Subfund - are funds available for financing operations which are limited by donors and other external agencies to specific purposes, programs, departments, or schools.

Designated Subfund - identifies financial activities related to special organized activities of educational programs wherein they are fully supported by supplemental assessments, and tracks special supplies and facilities fees that are approved for collection beyond normal course fees.

Auxiliary Subfund - exists to furnish goods or services to students, faculty, or staff through a fee charged for the cost, although not necessarily equal to the cost of the goods or services. The revenues are derived directly from the operation of the auxiliary enterprise itself.

AGENCY FUNDS - Includes resources held by the institution as custodian or fiscal agent for individual students, faculty, staff members, and organizations.

ENDOWMENT FUND - Donated funds invested in interest bearing accounts utilizing only interest earned for scholarships to students.

2. LIABILITY FOR COMPENSATED ABSENCES

Employees for the center accumulate both vacation and sick leave. Qualifying classified employees are paid for 100 percent of unused vacation and 25 percent of unused sick leave credits upon termination. Certified instructional employees receive lump sum payments in accordance with contract provisions. Expenditures for termination pay currently are absorbed in the annual operating costs of the center. At June 30, 1987 the center had a liability of \$30,843 for vacation leave and \$172,700 for sick leave.

3. PENSION PLAN

Employees are covered by the Montana Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS). The center's contribution to these plans is shown below.

	<u>Fiscal Year</u> <u>1985-86</u>	<u>Fiscal Year</u> <u>1986-87</u>
PERS	\$ 14,636	\$ 16,014
TRS	104,280	126,136

4. LEGISLATIVE ACTION

Chapter 658, Laws of 1987, transferred the governance of the five vocational-technical centers from joint governance with the Office of Public Instruction (OPI) and the local school districts to single governance under the Commissioner of Higher Education. Provisions of the bill allow for a two year period to effect the transfer. Directors of the centers became state employees effective July 1, 1987, and the remaining staff and faculty will be transferred to state control by July 1, 1989.

5. CHANGE IN FUNDS

In years prior to fiscal year 1985-86, the center recorded General Fund support and transfers of that support to the Current Unrestricted Subfund in the General Fund. Money received from the Office of Public Instruction and transferred to the Current Unrestricted Subfund was previously recorded in the Special Revenue Fund. With a change in accounting policy, the General and Special Revenue Funds are no longer used by the center.

6. STUDENT FTEs

SCHEDULE OF FULL-TIME EQUIVALENT STUDENTS (FTE) TWO FISCAL YEARS ENDED JUNE 30, 1987

<u>Quarter</u>	<u>Year</u>	<u>Number of¹ Students</u>	<u>Reported Contact Hours</u>	<u>Calculated FTEs²</u>
Summer	1985	102	24,260	73
Fall	1985	971	224,880	675
Winter	1986	931	197,260	592
Spring	1986	887	201,059	603
Summer	1986	60	17,427	52
Fall	1986	784	191,351	574
Winter	1987	1,120	197,931	594
Spring	1987	511	163,388	490

¹ Includes full-time and part-time students.

² This is the reported contact hours divided by 333.3 contact hours as required by 10.41.101, ARM.

CENTER RESPONSE



HELENA VOCATIONAL — TECHNICAL CENTER

1115 NORTH ROBERTS — HELENA, MONTANA 59601-3098
PHONE (406) 442-0060

RECEIVED

JUN 02 1988

ALEX CAPDEVILLE
DIRECTOR

EINAR BROSTEN
ASST. DIRECTOR

WILLIAM FIFE
DIR. OF STUDENT SRVS.

June 2, 1988

**MONTANA LEGISLATIVE
AUDITOR**

Jim Gillett
Deputy Legislative Auditor
Office of the Legislative Auditor
State Capitol
Helena, Montana 59620

Dear Mr. Gillett:

Enclosed is the Helena Vocational-Technical Center's response to the recent audit conducted by your office. Also, enclosed is the draft copy of the audit as you requested.

If you have any questions or need additional information, please let me know.

Sincerely,

Alex Capdeville, Ph.D.
Director

AC/ap

Enclosures

HELENA VOCATIONAL-TECHNICAL CENTER
RESPONSE

FINANCIAL-COMPLIANCE AUDIT
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1987

RECOMMENDATION #1:

WE RECOMMEND THE CENTER CONSULT WITH ITS GOVERNING ORGANIZATION TO ENSURE THAT NEGOTIATED AGREEMENTS WITH EMPLOYEES COMPLY WITH STATE LAW.

RESPONSE:

Concur. The Director of the Helena Vocational-Technical Center referred this item to the Personnel Director of School District No. 1. The inferred negotiated agreements for support staff have been negotiated by School District No. 1. See the attached reply.

RECOMMENDATION #2:

WE RECOMMEND THE CENTER DISBURSE PELL GRANT FUNDS ONLY TO STUDENTS MAINTAINING SATISFACTORY PROGRESS.

RESPONSE:

Concur. Beginning fall term, 1988, the following procedure will be used to prevent payments to students who are ineligible due to unsatisfactory progress.

1. After each quarter/semester a list of students with a grade point average of less than 2.0 will be prepared.
2. Students receiving less than a 2.0 average for a quarter/semester, will be placed on financial aid probation. Students will be able to receive financial aid for one term while on probation.
3. Official grades for the probationary period must be received by the financial aid officer prior to any further disbursement of financial aid. Probationary students who do not receive at least a 2.0 average will be dropped from financial aid.

RECOMMENDATION #3:

WE RECOMMEND THE CENTER REFUND TO THE PELL GRANT ACCOUNT TUITION AND FEES PAID FOR STUDENTS WHO WITHDRAW PRIOR TO ATTENDING CLASS.

RESPONSE:

Concur. The withdrawal/drop form will be revised to include a "no show" category. A copy of the withdrawal/drop form will be submitted to the financial aid officer as well as the accounting supervisor.

RECOMMENDATION #4:

WE RECOMMEND THE CENTER ESTABLISH PROCEDURES TO ENSURE THAT FINANCIAL AID AWARD AMOUNTS ARE PROPERLY UPDATED.

RESPONSE:

Concur. Whenever the Financial Aid Officer authorizes a change in a student's financial aid award, the change will be made on the computer and a new award letter sent.

RECOMMENDATION #5:

WE RECOMMEND THE CENTER CALCULATE STUDENTS' FINANCIAL NEED IN ACCORDANCE WITH FEDERAL REGULATIONS.

RESPONSE:

Concur. We believe that we are currently calculating students' financial need in accordance with federal regulations. We do consider family size when computing the student budget. The sample you reviewed contained an error made by financial aid personnel.

RECOMMENDATION #6:

WE RECOMMEND THE CENTER ESTABLISH A SYSTEM TO NOTIFY LENDERS OF ENROLLMENT STATUS CHANGES IN ACCORDANCE WITH FEDERAL REGULATIONS.

RESPONSE:

Concur. When a withdrawal or drop form comes to the Financial Aid Office, the student's file is checked to see if he/she received a GSL. If so, any change in the student's enrollment status will be reported to the lender.

RECOMMENDATION #7:

WE RECOMMEND THE CENTER CONTACT THE DEPARTMENT OF EDUCATION REGARDING MAINTENANCE LEVEL OF EFFORT.

RESPONSE:

Concur. The maintenance level of effort has always been reported annually to the Office of Education on the FISAP reports. A copy of this audit will also be sent to the Department of Education.

RECOMMENDATION #8:

WE RECOMMEND THE CENTER MODIFY AND IMPROVE ITS PELL GRANT DISBURSEMENT SYSTEM.

RESPONSE:

We will investigate PELL Grant disbursement systems used at other vocational-technical centers and consider their adoption.

RECOMMENDATION #9:

WE RECOMMEND THE CENTER PROVIDE PERSONNEL ADDITIONAL TRAINING CONCERNING STUDENT FINANCIAL ASSISTANCE PROGRAMS.

RESPONSE:

Concur. Our financial aid officer is allowed to attend as many training seminars as deemed necessary. Also, the financial aid secretary will be allowed to attend these workshops in the future as necessary.

RECOMMENDATION #10:

WE RECOMMEND THE CENTER SEEK GUIDANCE FROM THE COMMISSIONER OF HIGHER EDUCATION ON THE MATTER OF TUITION REFUNDS.

RESPONSE:

The following tuition refund schedule is the new policy of the Board of Regents which will go into effect during the 1988-89 school year. (This policy is in the new 1988-89 catalog.)

1. Seventy-five percent (75%) of all remaining fees will be refunded to the end of the fifth classroom day following the close of regular registration.
2. Fifty percent (50%) of all remaining fees will be refunded to the end of the tenth classroom day following the close of regular registration.
3. No refunds will be made after the tenth day of classes.

4. Drop/adds will be computed in accordance with regular center fee schedules. There will be no refunds for drops after ten (10) days of instruction.

Application and registration fees are non-refundable.

RECOMMENDATION #11:

WE RECOMMEND THAT THE CENTER:

- A. RECONCILE PAYROLL EXPENDITURES REPORTED IN THE ACCOUNTING RECORDS WITH THE PAYROLL RECORDS.
- B. SEGREGATE THE FUNCTIONS OF AUTHORIZING WARRANTS AND PICKING UP WARRANTS.


RESPONSE:

Concur. The Helena Vo-Tech Center has requested that Helena School District No. 1 payroll system begin to include a report that summarizes payroll information by individual employee on a fiscal year basis. This new report by the school district will provide the information necessary to reconcile the payrolls. Implementation of this recommendation has already begun during FY 88, and by FY 89 should be completely implemented so that payroll for FY 89 will reconcile properly.

The function of authorizing payroll warrants and picking up the same will be segregated immediately, and will be proper during FY 89.

June 1, 1988

M E M O R A N D U M

TO: Alex Capdeville
FROM: Mike Cummings 
RE: Employee Contract Provisions

My office has been made aware of the continued concern expressed by the auditors over the issues of bereavement leave and personal leave for classified employees.

Please be advised that as a result of your last audit exception we have taken the following steps:

1. Bereavement leave is no longer a benefit for secretarial staff.
2. On April 29, 1988, the District entered into a memorandum of agreement with AFSCME Local #2774 which would cause the District and the Union to abide by a Lewis and Clark County Attorney's opinion regarding the contract articles in question.
3. The District requested the opinion on May 12, 1988.
4. Personal leave for secretaries will be addressed when our negotiations with MPEA for 1989-90 commence.

MC:jh

MEMORANDUM of AGREEMENT

BETWEEN

AFSCME LOCAL #2774

and

HELENA SCHOOL DISTRICT #1

The above captioned parties mutually agree to abide by the County Attorney's (Lewis & Clark County) opinion regarding leave time as it concerns Article VII, R^{NY} Leaves; Section D; Subsection(s) 1 through 3. 4/10/88

This Memorandum of Agreement made and entered into the 24 day of April, 1988.

FOR AFSCME LOCAL #2774

FOR SCHOOL DISTRICT #1

Jim Mayes

Chas. L. Purvis

A. Paulsen Jensen

Myron W. Watson

Larson Shasklett

Berry R. Penick

Ray Smith

James B. Benth

May 12, 1988

Mr. Mike McGrath
County Attorney
228 Broadway
Helena, MT 59601

Dear Mr. McGrath:

Helena School District No. 1, through my office, is requesting a written County Attorney's opinion on the legal appropriateness of "emergency" or "bereavement" leave for classified staff. This issue has been an on-again, off-again concern for the last several years.

Specifically, we would request that your opinion address bereavement leave as it is currently granted to custodial employees, not only those assigned to the Helena Vocational Technical Center, but throughout the district.

Attached you will find the pertinent references from our bargained Custodian Agreement between Helena School District No. 1 and AFSCME, Local No. 2774, plus those other documents and correspondence which constitute the history of the issue.

Attachments are in chronological sequence so that you may review the facts from June 30, 1985, through June 9, 1987.

Please note that the school district, as a result of current negotiations with AFSCME, has entered into a signed memorandum of agreement which would recognize your opinion as binding.

Contact me at any time if you have further questions.

Sincerely,



Mike Cummings
Director of Personnel

MC:kk

xc: Jack Copps
Jim Mayes
Terry Pipinich
File

Mike McGrath
County Attorney



Courthouse
228 Broadway
Helena, Montana 59601
Telephone 406/443-1010

LEWIS AND CLARK COUNTY

Office of the County Attorney

May 19, 1988

Jack FFI
ve

Mike Cummings
Director of Personnel
Helena School District No. 1
PO Box 5417
Helena, MT 59604

Dear Mr. Cummings:

I am in receipt of your opinion request asking this office to review the appropriateness of "emergency" or "bereavement" leave for classified staff. I will be responding to your request in the near future.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Mike McGrath".

MIKE McGRATH
County Attorney

MM/sl

